

107TH CONGRESS
1ST SESSION

H. R. 211

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for the purchase of a principal residence by a first-time homebuyer.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 2001

Mr. SWEENEY introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for the purchase of a principal residence by a first-time homebuyer.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “First-Time Homebuyer
5 Tax Credit Act of 2001”.

6 **SEC. 2. CREDIT FOR FIRST-TIME HOMEBUYERS.**

7 (a) IN GENERAL.—Subpart A of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of
9 1986 (relating to nonrefundable personal credits) is

1 amended by inserting after section 25A the following new
2 section:

3 **“SEC. 25B. PURCHASE OF PRINCIPAL RESIDENCE BY FIRST-**
4 **TIME HOMEBUYER.**

5 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
6 dividual who is a first-time homebuyer of a principal resi-
7 dence in the United States during any taxable year, there
8 shall be allowed as a credit against the tax imposed by
9 this chapter for the taxable year an amount equal to 10
10 percent of the purchase price of the residence.

11 “(b) LIMITATIONS.—

12 “(1) MAXIMUM CREDIT.—The credit allowed
13 under subsection (a) shall not exceed \$5,000.

14 “(2) MARRIED INDIVIDUALS FILING JOINTLY.—
15 In the case of a husband and wife who file a joint
16 return, the credit under this section is allowable only
17 if both the husband and wife are first-time home-
18 buyers, and the amount specified under paragraph
19 (1) shall apply to the joint return.

20 “(3) MARRIED INDIVIDUALS FILING SEPA-
21 RATELY.—In the case of a married individual filing
22 a separate return, the credit under this section is al-
23 lowable only if the individual is a first-time home-
24 buyer, and subsection (a) shall be applied by sub-
25 stituting ‘\$2,500’ for ‘\$5,000’.

1 “(4) OTHER TAXPAYERS.—In the case that 2 or
2 more individuals who are not married purchase a
3 principal residence together—

4 “(A) the credit under this section is allow-
5 able only if each of the individuals is a first-
6 time homebuyer, and

7 “(B) the amount of the credit allowed
8 under subsection (a) shall be allocated among
9 such individuals in such manner as the Sec-
10 retary may prescribe, except that the total
11 amount of the credits allowed to all such indi-
12 viduals shall not exceed \$5,000.

13 “(5) YEAR FOR WHICH CREDIT ALLOWED.—
14 Fifty percent of the credit allowed by subsection (a)
15 shall be allowed in the taxable year in which the res-
16 idence is purchased and the remaining fifty percent
17 of the credit shall be allowed in the succeeding tax-
18 able year.

19 “(c) DEFINITIONS.—For purposes of this section—

20 “(1) FIRST-TIME HOMEBUYER.—

21 “(A) IN GENERAL.—The term ‘first-time
22 homebuyer’ has the same meaning as when
23 used in section 72(t)(8)(D)(i), except that ‘3-
24 year period’ shall be substituted for ‘2-year pe-
25 riod’ in subclause (I) thereof.

1 “(B) ONE-TIME ONLY.—Except as pro-
2 vided in subsection (f), if an individual is treat-
3 ed as a first-time homebuyer with respect to
4 any principal residence, such individual may not
5 be treated as a first-time homebuyer with re-
6 spect to any other principal residence.

7 “(2) PRINCIPAL RESIDENCE.—The term ‘prin-
8 cipal residence’ has the same meaning as when used
9 in section 121. An interest in a partnership, S cor-
10 poration, or trust that owns an interest in a resi-
11 dence is not considered an interest in a residence for
12 purposes of this paragraph except as may be pro-
13 vided in regulations.

14 “(3) PURCHASE.—

15 “(A) IN GENERAL.—The term ‘purchase’
16 means any acquisition, but only if—

17 “(i) the property is not acquired from
18 a person whose relationship to the person
19 acquiring it would result in the disallow-
20 ance of losses under section 267 or 707(b)
21 (but, in applying sections 267 (b) and (c)
22 for purposes of this section, paragraph (4)
23 of section 267(c) shall be treated as pro-
24 viding that the family of an individual shall

1 include only his spouse, ancestors, and lin-
2 eal descendants), and

3 “(ii) the basis of the property in the
4 hands of the person acquiring such prop-
5 erty is not determined—

6 “(I) in whole or in part by ref-
7 erence to the adjusted basis of such
8 property in the hands of the person
9 from whom acquired, or

10 “(II) under section 1014(a) (re-
11 lating to property acquired from a de-
12 cedent).

13 “(B) CONSTRUCTION.—A residence which
14 is constructed by the taxpayer shall be treated
15 as purchased by the taxpayer.

16 “(4) PURCHASE PRICE.—The term ‘purchase
17 price’ means the adjusted basis of the principal resi-
18 dence on the date of acquisition (within the meaning
19 of section 72(t)(8)(D)(iii)).

20 “(d) CARRYFORWARD OF UNUSED CREDITS.—If the
21 credit allowable under subsection (a) for any taxable year
22 exceeds the limitation imposed by section 26(a) for such
23 taxable year reduced by the sum of the credits allowable
24 under this subpart (other than this section and section
25 23), such excess shall be carried to the succeeding taxable

1 year and added to the credit allowable under subsection
 2 (a) for such taxable year. No credit may be carried for-
 3 ward under this subsection to any taxable year following
 4 the fifth taxable year after the taxable year in which the
 5 residence is purchased. For purposes of the preceding sen-
 6 tence, credits shall be treated as used on a first-in first-
 7 out basis.

8 “(e) REPORTING.—If the Secretary requires informa-
 9 tion reporting under section 6045 by a person described
 10 in subsection (e)(2) thereof to verify the eligibility of tax-
 11 payers for the credit allowable by this section, the excep-
 12 tion provided by section 6045(e)(5) shall not apply.

13 “(f) RECAPTURE FOR CERTAIN DISPOSITIONS.—

14 “(1) IN GENERAL.—Except as provided in para-
 15 graphs (2) and (3), if the taxpayer disposes of prop-
 16 erty with respect to the purchase of which a credit
 17 was allowed under subsection (a) at any time within
 18 36 months after the date the taxpayer acquired the
 19 property as his principal residence, then the tax im-
 20 posed under this chapter for the taxable year in
 21 which the disposition occurs is increased by an
 22 amount equal to the amount allowed as a credit for
 23 the purchase of such property.

24 “(2) ACQUISITION OF NEW RESIDENCE.—If, in
 25 connection with a disposition described in paragraph

1 (1) and within the 2-year period beginning on the
2 date of such disposition, the taxpayer purchases a
3 new principal residence—

4 “(A) paragraph (1) shall not apply, and

5 “(B) the tax imposed by this chapter for
6 the taxable year in which the new principal resi-
7 dence is purchased is increased by an amount
8 equal to—

9 “(i) the amount of credit claimed by
10 the taxpayer under this section, reduced
11 (but not below zero) by

12 “(ii) the amount of the credit that
13 could be claimed under this section on the
14 purchase of the new residence.

15 “(3) DEATH OF OWNER; CASUALTY LOSS; IN-
16 VOLUNTARY CONVERSION; ETC.—The provisions of
17 paragraph (1) do not apply to—

18 “(A) a disposition of a residence made on
19 account of the death of any individual having a
20 legal or equitable interest therein occurring dur-
21 ing the 36-month period to which reference is
22 made under paragraph (1),

23 “(B) a disposition of the old residence if it
24 is substantially or completely destroyed by a
25 casualty described in section 165(c)(3) or

1 compulsorily or involuntarily converted (within
2 the meaning of section 1033(a)), or

3 “(C) a disposition pursuant to a settlement
4 in a divorce or legal separation proceeding
5 where the residence is sold or the other spouse
6 retains the residence as a principal residence.

7 “(g) DENIAL OF DOUBLE BENEFIT.—No credit shall
8 be allowed under subsection (a) for any expense—

9 “(1) for which a deduction or credit is allowed
10 under any other provision of this chapter, or

11 “(2) to the extent that the aggregate of such
12 expenses does not exceed qualified first-time home-
13 buyer distributions (as defined by section 72(t)(8)
14 made with respect to the principal residence.

15 “(h) BASIS ADJUSTMENT.—For purposes of this sub-
16 title, if a credit is allowed under this section with respect
17 to the purchase of any residence, the basis of such resi-
18 dence shall be reduced by the amount of the credit so al-
19 lowed.

20 “(i) PROPERTY TO WHICH SECTION APPLIES.—

21 “(1) IN GENERAL.—The provisions of this sec-
22 tion apply to a principal residence if—

23 “(A) the taxpayer acquires the residence
24 on or after January 1, 2001, and before Janu-
25 ary 1, 2003, or

1 “(B) the taxpayer enters into, on or after
2 January 1, 2001, and before January 1, 2003,
3 a binding contract to acquire the residence, and
4 acquires and occupies the residence before July
5 1, 2003.”.

6 (b) CONFORMING AMENDMENT.—Subsection (a) of
7 section 1016 of such Code (relating to general rule for
8 adjustments to basis) is amended by striking “and” at the
9 end of paragraph (26), by striking the period at the end
10 of paragraph (27) and inserting “, and”, and by adding
11 at the end thereof the following new paragraph:

12 “(28) in the case of a residence with respect to
13 which a credit was allowed under section 25B, to the
14 extent provided in section 25B(h).”.

15 (c) CLERICAL AMENDMENT.—The table of sections
16 for subpart A of part IV of subchapter A of chapter 1
17 of such Code is amended by inserting after the item relat-
18 ing to section 25A the following new item:

 “Sec. 25B. Purchase of principal residence by first-time home-
 buyer.”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall take effect on January 1, 2001.

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